BOOK REVIEWS AND NOTICES

The Marketing of Farm Products. By L. D. H. WELD. New York: Macmillan, 1916. 8vo, pp. xiv+483. $1.50.

The task which the author of this volume sets himself is an important one, and the spirit in which he undertakes it is thoroughly admirable. Professor Weld believes that "the study of marketing naturally falls to the lot of the economist. To make the necessary investigations of market practices, to classify the data collected, and to draw sound conclusions as to the fundamental principles is not so easy as is commonly thought. Too many speakers and writers are making glaring statements without having a broad enough point of view to include the interests of all people concerned in the marketing process." His book, therefore, aims to show "what the science of economics has to offer in the way of general laws which are helpful in solving the problems involved." In pursuing this plan of treatment, he presents first a chapter on "The Fundamentals of Marketing." This offers a sane and helpful statement of the problem and, by way of economic theory, lays down the doctrine that marketing is a part of production and has as its task the creation of time, place, and possession utilities.[1] Further, he argues that if this task is to be performed efficiently there must be a functional division of labor among numerous specialists who have an opportunity to develop a high degree of expertness in their particular line of endeavor. Nothing is said in this chapter about the theory of prices or the nature of the price-making process.

There follow then seven chapters which deal with the various types of traders and methods of trading which characterize the handling of farm products. These chapters and several of a similar nature which come later in the book reveal the author's intimate contact with, and understanding of, the methods by which this class of business is carried on in the United States today, and this first-hand quality of the discussion is

[1] The economist is likely to be somewhat astonished at the manner in which this discussion is introduced (see p. 3). "Professional economists usually divide the field of economics activity into three grand divisions—production, distribution, and consumption. When it comes to locating the subject of marketing, or market distribution as it is frequently called, in its proper division, the nomenclature used by economists is misleading, because marketing is a part of production, and not of distribution."

one of the most striking and admirable features of the book as a whole. It appears to the reviewer, however, that the arrangement would have been considerably improved if the chapters dealing with prices had been deferred until the description of market methods had been completed and the price discussion given a position of climactic importance at the close of the volume. It is there that we should expect the promise of the early pages to be made fully good in a comprehensive application of economic principles to the concrete situations so fully set forth in the descriptive portions of the book. The opportunity for economic analysis here presented is, in fact, twofold. First (the persons and the practices of the market system having been described), there emerges the question whether these services are supplied at a minimum cost or whether defects in the economic organization of the business cause the specific things done to be needlessly expensive. Secondly, there is the more obscure, but ultimately more important, question whether this market mechanism (whatever its internal efficiency or relative cost of operation) is engaged in turning out the most valuable or some less valuable grade of economic product.[1] The case is analogous to that of the industrial concern. There the economist asks concerning the factory, not merely whether it marshals together natural resources, labor, and capital skilfully in its given line of endeavor, but also whether in so doing it directs economic enterprise toward the production of form utilities of the greatest want-satisfying power. Similarly of the marketing agency, the test of its efficiency is to be found in (1) a low cost of handling its business and (2) the relatively high or low values created by its productive efforts.

To the first of these issues, in its general aspects,[2] Professor Weld devotes his attention in three chapters on marketing costs (ix–xi) and to particular phases of the problem in chaps. xviii to xx (direct selling, co-operation, and retailing), and in shorter passages elsewhere. He makes a vigorous and sensible attack upon the loose statements concerning a return of only thirty-five cents to the farmer from every dollar paid by the consumer.[3] He shows that the total increment in price goes to cover

[1] Viz., time and place utilities.

[2] That is, largely as to whether the costs are a large or a small percentage of the final price, and the allocation of these charges to the various sources from which they are incurred.

[3] It is rather unfortunate, therefore, that he should have fallen into the very error in computation which is responsible for many of the unduly pessimistic statements concerning the farmer's share in the consumer's dollar. Thus, in the figures presented on p. 219, he shows a price of 9.1 cents paid the producer and 20 cents paid by the ultimate consumer, and argues that this means that the farmer receives 45.5 per cent

manufacturing costs (such as the dressing of meat and poultry; the churning, salting, and packing of butter; the making and curing of cheese; cleaning, drying, or otherwise improving the condition of grain; sorting and repacking many kinds of fruits and vegetables). He asserts that for staple commodities handled in bulk the charges are surprisingly low and that, even taking an average to include perishable goods which demand expensive special services, the cost of marketing does not run over 40 to 45 per cent instead of the 65 per cent so much trumpeted abroad. This whole discussion deserves careful reading both for the store of information which it contains and for the shrewd analysis which it applies to these facts. It is to be feared, however, that the author had been so busy combating "popular misconceptions . . . . based on a lack of knowledge of marketing methods and a lack of appreciation of the difficulties encountered and the functions performed by the middlemen" that he has had little time to apply the test of economic efficiency to the existing organization of the trade in farm products. For example, in any other productive enterprise two of the fundamental inquiries would deal with the relationship between the standard of economic efficiency attained and the character of capital goods used, and the size of the operating unit or the organization of smaller units into larger working arrangements. As for the increase of efficiency due to the employment of better equipment, Professor Weld makes many excellent points in connection with railroad facilities in his chapter on transportation. But, as for the plant used by city produce dealers, much less is said than is demanded by the existing situation. Likewise, while the organization of the grain and cotton trades under the form of produce exchanges, already treated with much detail by other writers, is dealt with at some length, he offers but little in the way of critical discusssion (or of bare description even) of the many important developments looking toward the organization of the trade in perishables upon a broader basis—a matter which is but little known and scarcely at all written about. Indeed it appears doubtful whether the author is thoroughly conversant with the integrating movements which have gone on to a marked extent in recent years.

of what the consumer pays. As a matter of fact, however, he gets 51.1 per cent, since the farmer is paid for what is lost in shrinkage at the same rate as for the pound of meat which the housewife gets. To check this easily, assume a farm price of 10 cents, shrinkage of 50 per cent (5 cents a pound), selling costs of 5 cents a pound, and retail price of 25 cents a pound. The farmer gets $10 for 100 pounds of live poultry or 80 per cent of the $12.50 which the consumer pays for fifty pounds of dressed chickens—not 40 per cent of $25!

As for the second part of his task of applying economic principles to the solution of the problems of marketing farm products, Professor Weld announces at the beginning of his chapter on prices that he does not propose to "enter into any such theoretical discussion [as is offered in standard works on economics], but rather to present some of the practical aspects of price determination as they appear in commercial life." But this is followed by an ungarnished version of the supply-and-demand theory of price, demand being determined by retail price and supply by the elimination of producers whose costs of production exceed the price netted from the consumer's dollar after selling costs have been deducted. This rapidly works itself into a cost-of-production argument, and the author's whole theory of prices seems to be that middlemen's costs of doing business are added to growers' costs of production to make consumers' prices (see pp. 7, 174, 284, etc.). This may be all very well if applied to a static condition which had worked itself out to a normal price adjustment all along the line. But to eliminate the element of traders' profits (both positive and negative), as Weld does, is to get back to as sterile an economic theory as that of the English classics. Formally, however, he appears to hold such doctrine in low esteem (p. 247), and certainly he has gone to the market itself for materials and has studied its processes at first hand. There he has surely seen the development of advertising as a means of increasing or directing demand; has seen too that the strategic position of buyers and of sellers depends very often upon differences in their financial situation or their access to sources of market information, and has seen how the prices of badly distributed or unwisely stored goods do not at all correspond to their costs of production, including marketing. But he has not worked these and countless other adventitious but significant factors into a comprehensive and vital philosophy of the prices of farm products. He has failed to make his extended personal understanding of actual marketing conditions effect an alignment between those facts and a set of economic principles which are truly up to date.

The reviewer regrets saying so much in seeming dispraise of a book he so greatly approves. But the publication of so comprehensive and vigorous a study of this important question should be the occasion for all students of the problem to make frank and searching examination of their ideas upon the subject. Professor Weld has laid some excellent foundations. Later writers will be much in his debt and teachers will find that he has given them an excellent book for class use. If some of us think he is unduly complacent about the existing organization of the

trade in farm products we may well remember that a large amount of public sentiment and local prejudice can be depended upon to exert a strong counter-influence.

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Transportation Rates and Their Regulation. By HARRY GUNNISON BROWN. New York: Macmillan, 1906. 8vo, pp. xii+347. $1.50.

Professor Brown has here presented an extremely compact and readable theoretical study, by far the chief space and emphasis being devoted to freight discriminations. In the main he follows the generally accepted views, with some contributions of his own. These include an analysis of "competition of markets" into "competition of directions" and "competition of locations." Both must apparently be combined to produce the type of case (treated by the author under "competition of directions") in which a really strong competitive force appears to be acting. The author also erects into a general principle the method, used by the Interstate Commerce Commission in the transcontinental cases, of permitting short-haul rates to exceed long-haul rates by not more than a fixed percentage. Nearly one hundred pages are devoted to questions of freight discrimination, which are excellently treated, twenty-five pages to outlining the development of rate regulation in this country—this overtaxes even Professor Brown's powers of condensation—and eighty pages to the rate rulings of the Interstate Commerce Commission.

The treatment is far from covering the entire field of rate theory. The problem of valuation is untouched, as are the special issues involved in passenger, express, and mail charges. The six pages devoted to costs and rates on water routes contain no mention of the principle of varied cargoes nor of the special conditions of competition and pooling in that field. If the actual classification system had been treated, and if the regional rate systems had been treated more fully, questions of principle would have been revealed well worthy of a place in a complete theory of the subject. The study of classification omits the physical and traffic characteristics of shipments which affect the cost of moving them. New York's 1,000-ton-barge canal project is mentioned without reference to subsequent enlargements. One most important gap which no writer has yet filled is the omission to organize the engineering principles of location and construction as an integral part of the theory of rates. There